



A vibrant InsurTech market down under

Since the early days of InsurTech, Australia has been a market leader – sometimes rivalling Silicon Valley for entrepreneurial flair and technological savvy. We caught up with **Insurtech Australia's Ms Simone Dossetor** for a peek at how the sector is looking in 2024.

By Paul McNamara

InsurTechs began to appear in Australia at around the same time as the term itself was coined. Since then, the InsurTech sector has grown in size and scope – mirroring developments on the global stage.

At the centre of this development in Australia is Insurtech Australia – a national, not-for-profit organisation run for the benefit of members and partners. It aims to act as a facilitator for start-ups, insurers, hubs, accelerators and investors.

We caught up with Insurtech Australia CEO Simone Dossetor to find out what significant developments there have been in Australian InsurTech in the recent past.

AI

“The last 12 months have been all about AI and its potential to play a role in facilitating innovation in the insurance and InsurTech sectors,” said Ms Dossetor.

“The initial focus for AI has been smart automation to enhance the efficiency of internal processes, however, there are also some very exciting developments in the pipeline around building more sophisticated and streamlined commercial offerings.”

Insurtech Australia's 2023 annual survey indicated 60% of its members are now using AI technology, which is a 45% increase since 2022.

“The survey also reflected an increase in the use of natural language processing, automation and robotic process automation,” said Ms Dossetor. “Already, our InsurTech members are deploying and exploring the potential deployment of AI across various business functions including organisational risk assessment, fraud detection, pricing, policy generation, marketing compliance, claims management and customer experience, all using various forms of AI.”

This has led to the emergence of a number of InsurTechs in Australia offering solutions that harness data and benchmark using statistics and AI, with the aim of making insurers and insurance staff smarter.

“They are utilising the power of technology to improve consistency and provide insights as a value-added benefit,” said Ms Dossetor. “Insurers are now actively working on pilots that consider how these solutions can act as an ancillary benefit to policyholders, also using these tools as extra support during the claims process in identifying staff burnout, determining best practice, flagging potential complaints and coaching policyholders, claimants and staff.”

Looking ahead

Ms Dossetor is in a good position to spot trends that might give clues to where the sector might head in the next 12 months.

“There will continue to be a

strong focus on efficiency within the insurance industry and the opportunity for InsurTech to reduce manual and mundane tasks – allowing staff to be redirected to value-added activity,” said Ms Dossetor.

“The regulatory and compliance burden has increased significantly for insurers and insurance business over the last five years, with an increased headcount and cost. The operational efficiency of these functions is now crying out for investment,” she said.

Ms Dossetor also pointed to the continuing impact of climate events and gaps in the affordability and availability of cover that will continue to be a high priority, particularly with a parliamentary inquiry into the insurers’ responses to the 2022 floods.

“We are seeing more InsurTech solutions using parametric capabilities with cloud, AI and real time data collection at scale making parametric products a real solution for a range of hard-to-insure risks,” said Ms Dossetor.

“ESG reporting and management of the supply chain are other areas where InsurTechs can assist in reporting, transparency and enabling better collaboration and communication. Deloitte’s October 2023 report on new benchmark for catastrophe preparedness in Australia recommended that insurers should uplift customer experience by improving how they communicate and delivering consistency in handling and decisioning.”

Australia has seen a number of tech-led business turn their focus to insurance from the construction, building and restoration industries as they bring expertise and data capabilities to improve claims outcomes, reduce claims processing times and provide a better customer experience.

“This is a differentiator for Australian InsurTechs as in the Australian market insurers seek to return policyholders to their pre-claim position through rebuilding and repair rather than cash settlement, which is different to international markets including the UK and many US states,” said Ms Dossetor.

“If we consider the Australian life insurance retail market now –

arguably, it is in its most challenging position to date due to an ageing in-force portfolio, the decline of the independent financial advice channel and, significantly, low retail new business volumes in the last five years alongside rising lapse rates.”

Life insurance working group

Insurtech Australia recently launched a life insurance technology working group to bring insurers and InsurTechs together to consider market challenges.

“This will also be a topic for discussion at our upcoming InsurtechLIVE 24 conference exploring how insurers might collaborate best with InsurTechs and advisers to expand their reach and tailor propositions to meet evolving customer needs, the potential for reimagining insurance offerings and insights can InsurTechs and advisers can bring to what is offered and how the offering will attract and retain customers,” said Ms Dossetor.

Funding infrastructure

The funding environment for Australian InsurTechs, formal channels for accessing capital, infrastructure to support a marketplace for InsurTech funding and appetite for funding InsurTechs in Australia has been notoriously slow to develop.

“It has always been a difficult funding environment for Australian InsurTech,” said Ms Dossetor. “Insurtech Australia has recently focused on highlighting the diversity and opportunity in the sector through events and articles highlighting the missed investment opportunity that Australian InsurTech represents.

“Australia has a relatively small population, is geographically isolated and operates in an unfriendly time zone for the world’s largest markets. This, combined with a perception of insurance being niche and complex has resulted in InsurTech founders either relying on self-funding and angel investors or quickly needing to go global to access larger capital markets,” she said.

Insurtech Australia’s 2023 member survey indicated that only 26% of members had raised VC funding, and 38% had raised no external funding.

“There is good infrastructure to support start-ups, including InsurTech in the early stages, but gaps emerge as businesses seek to scale to series A and beyond when they typically need to look to investors in Singapore or Silicon Valley,” said Ms Dossetor. “Typically, InsurTechs need either to scale internationally in parallel to building their Australian presence or expand their business model to bring additional revenue streams.”

The role of regulation

Are there any regulatory impediments slowing the growth of InsurTechs in Australia?

“Venture capital rules around early stage venture capital partnerships (ESVCLP) and eligibility rules for not investing in insurance act as a disincentive for investment in InsurTech, with it not being clear who is covered by the fintech exemptions,” said Ms Dossetor.

“In Australia, the law has not kept pace with the evolving definition of financial technology and where it converges with mainstream financial services businesses. Under current legal interpretation, restrictions are placed on investments made by ESVCLPs and VCLPs into fintech companies. This creates an additional complexity and cost for InsurTechs seeking to prove their eligibility.”

While ASIC manages an innovation sandbox, the rules defining its operation have meant that it is rarely used by InsurTech start-ups, who generally seek to attain a full Australian financial services licence or use authorised representative arrangements.

“It would be beneficial if there was a better framework to support how insurers, agencies and brokers work with start-up InsurTechs, to recognise that early stage innovative companies may not have the full suite of resources that are available to more mature technology providers,” said Ms Dossetor.

“It is expected that the forthcoming CPS 230 operational risk management standard will have a significant impact on the InsurTech industry, with additional oversight and more businesses captured indirectly as service providers,” she said. ■